



# Michigan Industrial Personal Property Tax Reform

House Tax Policy Committee  
December 2012

# **THE IMPORTANCE OF PERSONAL PROPERTY TAX REFORM TO FORD MOTOR COMPANY**

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# Goals for Today's Testimony

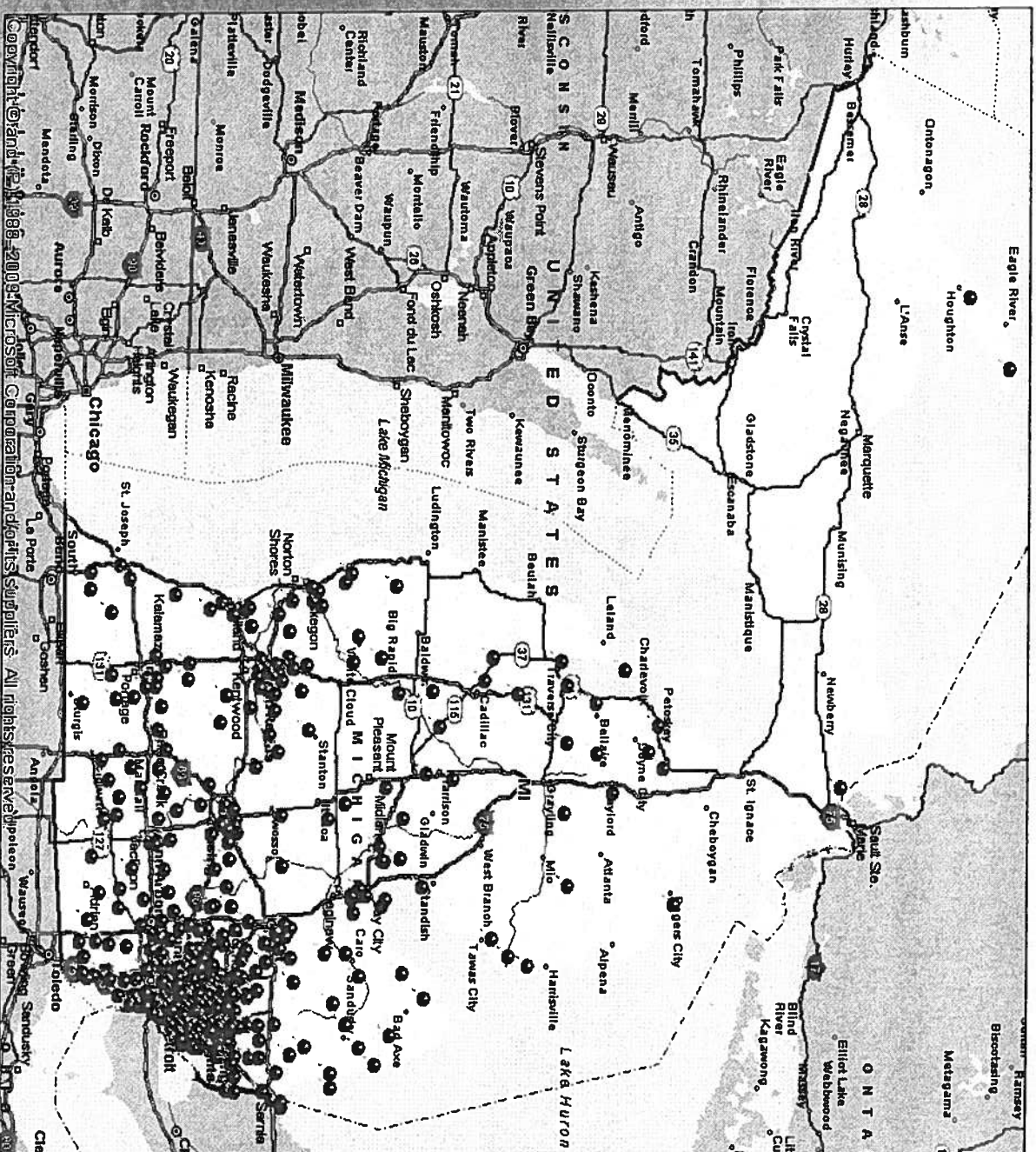
- Highlight what Industrial Personal Property taxes really tax
- Describe how the tax strikes at the core of manufacturing investment and is uncompetitive
- Underscore the urgency to enact reforms soon

# FORD IN MICHIGAN

- Ford employs about 40,000 people in Michigan
- 16 major manufacturing facilities
- Facilities produce the F-150, Mustang, the Focus, the exciting C-Max, and soon the all new Fusion
  - In addition, this center of economic growth produces engines, transmissions, and powertrain components for a full-range of Ford and Lincoln products
- In 2011, Ford purchased about \$14 Bils. worth of goods and services from more than 2,500 Michigan-based suppliers

# Ford Supplier Locations in Michigan

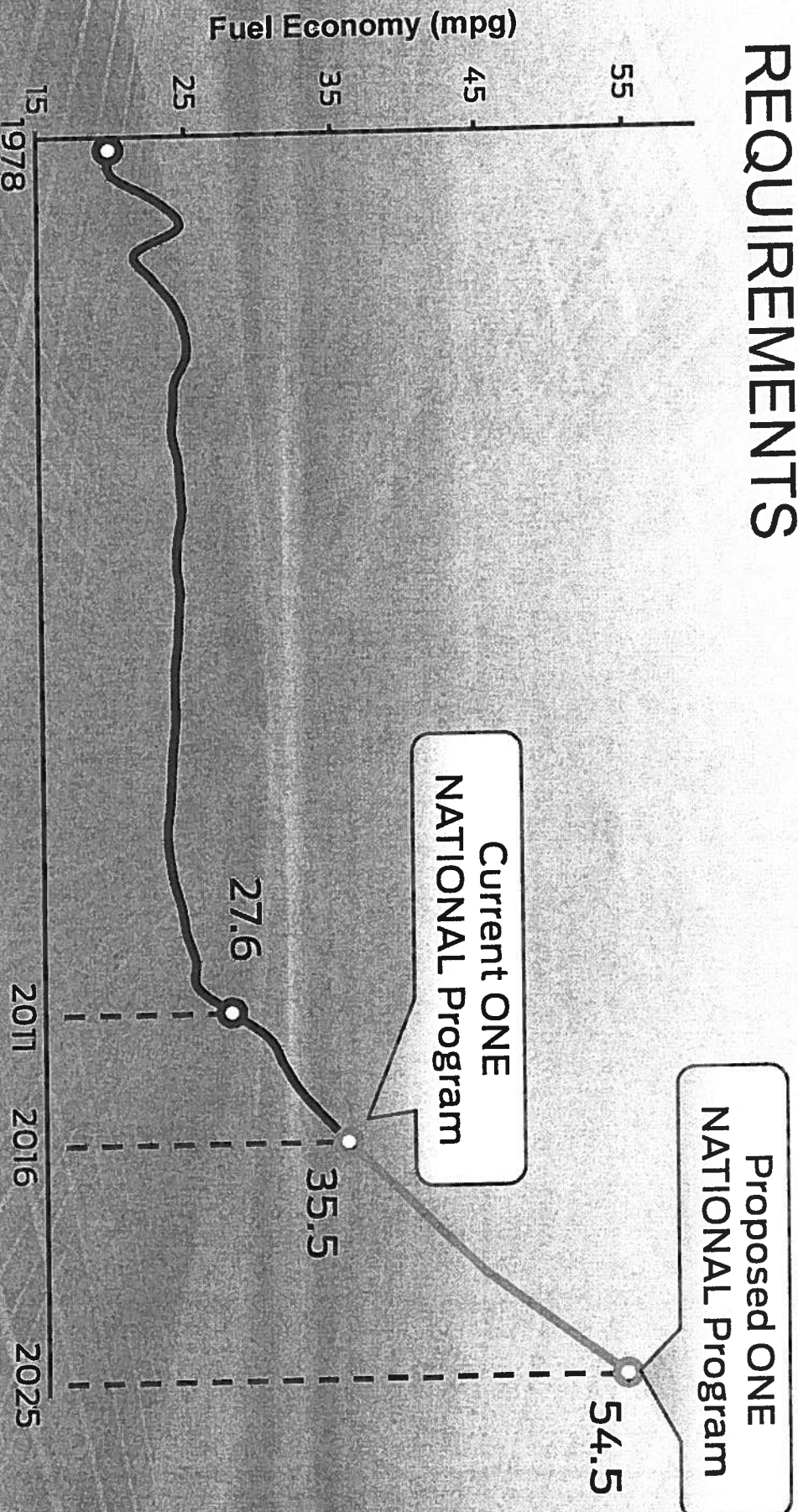
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# **TIMING FOR REFORM IS CRITICAL**

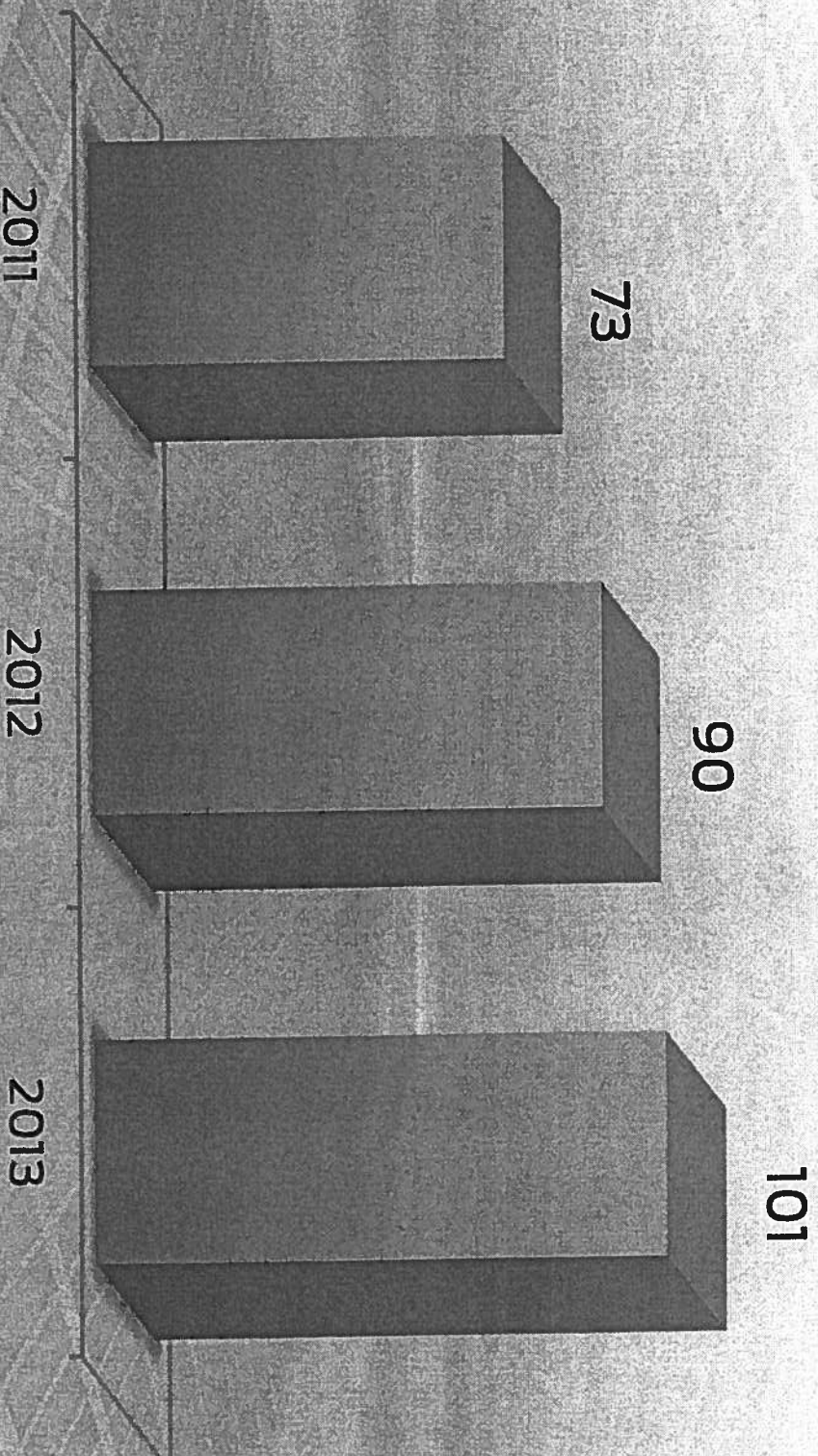
# ONE NATIONAL PROGRAM U.S. CORPORATE AVERAGE FUEL ECONOMY REQUIREMENTS



FUEL ECONOMY IS DEFINED BY WHAT CONSUMERS PURCHASE, RATHER THAN WHAT MANUFACTURERS PRODUCE. CUSTOMER AFFORDABILITY IS CRITICAL FOR SUCCESS.

# AUTO INDUSTRY VEHICLE LAUNCH ACTIVITY

## NEW MODEL INTRODUCTIONS



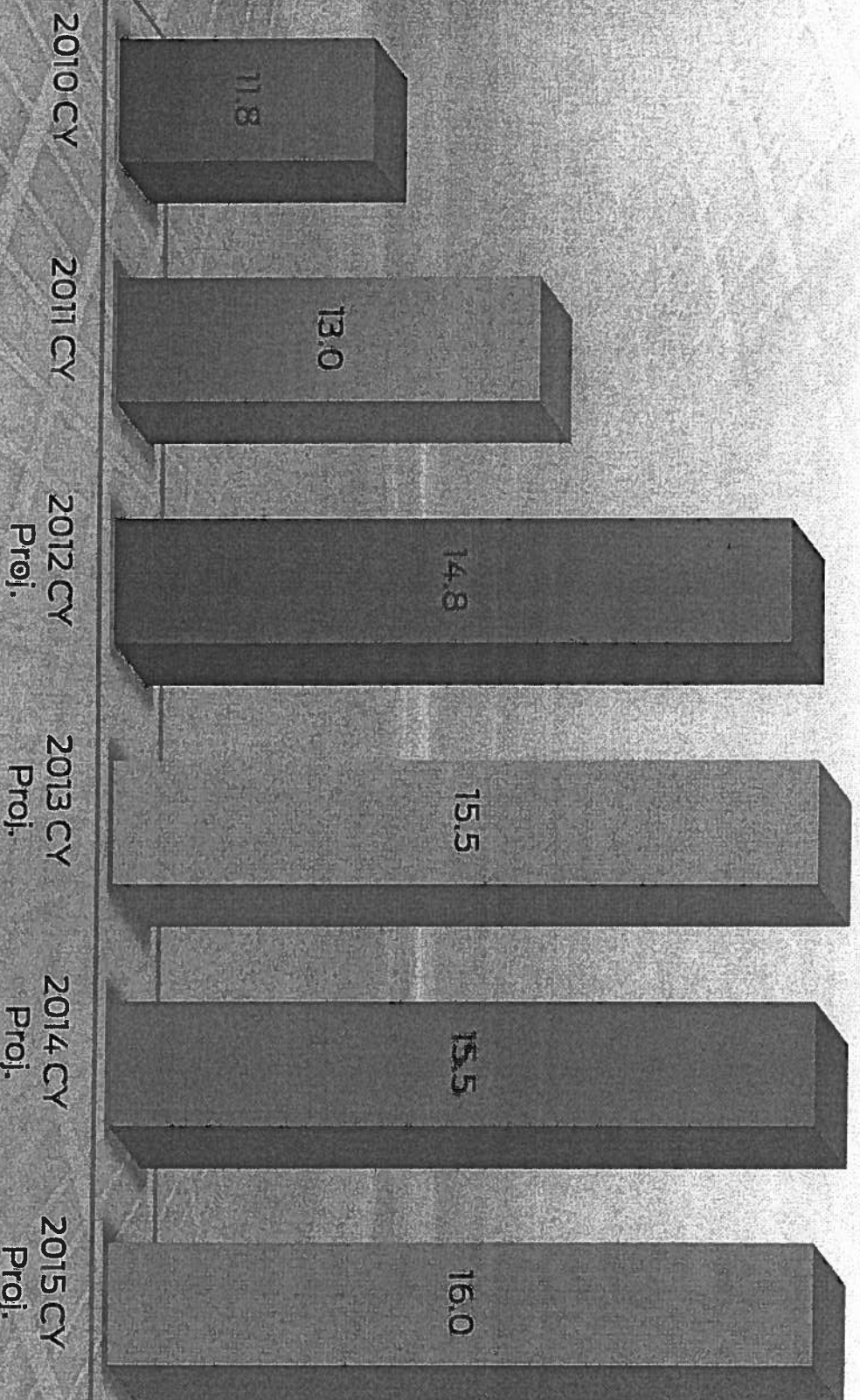
Source: Polk SAA – State of the Industry February, 2012

# Newly-launched Ford C-Max Hybrid



- C-Max hybrid
- Assembled at Michigan Assembly Plant – Wayne, Michigan
  - Plant also produces Focus, including battery electric
  - Michigan Assembly Plant employment 5,170
- Battery Pack assembled at the Rawsonville Plant in Ypsilanti, MI
- Fuel economy 47 MPG city and highway
- MSRP \$25,200

# U.S. AUTO INDUSTRY VOLUMES



# Why this matters

- Huge new investment is required to meet regulatory CAFE standards and changes in consumer preferences
- Increasing new-model introductions and industry volumes means manufacturers have to offer the most attractive package in terms of price and options to effectively compete
  - The lowest-cost manufacturing locations have an advantage in planning where products and components will be manufactured
- Auto industry OEMs as well as suppliers will be making investments to meet these demands

**FACING COMPETITIVE REALITIES IS CRITICAL FOR SURVIVAL  
IN TODAY'S GLOBALLY COMPETITIVE MARKET**

# Ford's Michigan Commitment

- Michigan is the hub of Ford's global operations
  - Virtually every Ford vehicle you see on the road today has a connection to Michigan
  - Beyond 16 major manufacturing facilities – also home of world headquarters and product development, research and engineering functions
- Michigan is critical to Ford – Reform of industrial personal property taxes is critical to Ford and manufacturing
- Ford recently announced plans to invest more than \$2 billion on new capital investment in Michigan. This investment will help create about 4,000 new jobs -- and retains existing jobs
  - The decisions to make these investments were made considering incentive tools and tax credits that no longer exist.
- Ford places high value on the communities where we work and live and we believe it important that communities thrive.
- We are hopeful that personal property tax reform will result in a positive long-term solution which balances the communities' needs for stable funding and the need to make Michigan investments more competitive.

## Michigan Tax Impact on Ford

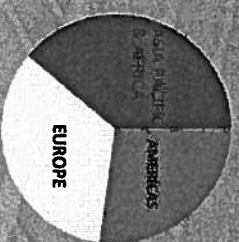
- 80% of Ford's property taxes in North America are paid in Michigan – only 50% of Ford's property is in Michigan
  - This tax on manufacturing equipment is the biggest driver of this disparity – about 90% of Ford's industrial personal property tax is paid in Michigan
- Michigan taxes Ford's manufacturing equipment including: stamping presses, robots, compressors, cranes, paint booths, wind tunnels, drilling and welding equipment, casting equipment – all largely exempt in neighboring states and provinces
- Elimination of MBT tax credits for research activities and industrial personal property taxes have increased Ford's cost of business in Michigan – Ford's Michigan taxes today are higher – not lower – than they were in 2011

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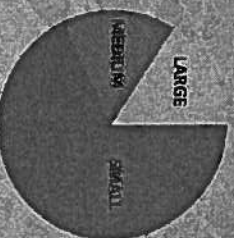
- **Personal Property Taxes penalize capital investment in Michigan**
  - Property tax abatements – if approved by local communities – have to be negotiated on a community-by-community basis, are not guaranteed and are typically a 50% reduction in tax for a specific investment for a limited period of time.
  - Abatements under PA 198 are not a 100% exemption from personal property taxes. PA 328 does provide a more complete exemption – but that is rare in communities with few alternative sources of local taxes (i.e., income taxes).
  - Personal property taxes are imposed on manufacturing equipment on an annual basis for the entire life of the property. Abatements only deal with new investments; existing property remains subject to tax even if it is decades old.
  - Personal property taxes have a high cost of administration – tax requires annual valuation of each and every piece of equipment, often resulting in appeals and disputes that linger for years in the Tax Tribunal and courts.
- **Even with personal property tax reform, Ford will continue to pay tens of millions of dollars a year in real and commercial property taxes to Michigan communities.**

# ONE FORD PLAN

1. Aggressively restructure to operate profitable at the current demand and changing model mix
2. Accelerate development of new products our customers want and value
3. Finance our plan and improve our balance sheet
4. Work together effectively as one team – leveraging our global assets



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PROFITS &  
CASH

